
PRESS RELEASE

Ypsomed significantly accelerates growth

Burgdorf, 24 May 2017, 7.00 a.m. – In the financial year 2016/17, the Ypsomed Group generated consolidated sales of CHF 389.6 million (previous year: CHF 336.9 million). Compared with the previous year, this represents an increase in sales of 15.6%. The operating results (EBIT) also increased by 24.4% compared to the previous year, from CHF 44.4 million to CHF 55.3 million. Profitability at the EBIT level has now risen to 14.2% (previous year: 13.2%). Compared with the previous year, the net profits were raised by 29.1% from CHF 35.8 million to CHF 46.2 million. Some demanding tasks lie ahead for the coming financial year, but Ypsomed remains confident and again expects a growth in sales of approximately 15% for the financial year 2017/18.

The earnings performance is largely due to the growth in sales in the two segments Delivery Systems and Diabetes Care, but also to improved cost-efficiency in production and sales.

Segment Delivery Systems: First sales with new platform products

The Delivery Systems segment showed a growth in sales of 7.5% to CHF 127.9 million (previous year: CHF 119.0 million). This was largely due to the following factors:

- Following successful industrialisation, the first commercial deliveries from the UnoPen™- and YpsoMate® platforms were realised.
- The demand for additional quantities in the area of Contract Manufacturing resulted in good growth in turnover.
- The large number of ongoing customer projects for the pen platforms (customising and industrialisation) resulted in an additional turnover of approximately CHF 3 million in the financial year 2016/17 compared with the previous year.

Segment Diabetes Care: Massive growth in new and existing markets

For the reporting period 2016/17, this results in an increase in turnover of 21.9% for the Ypsomed Diabetes Care segment from CHF 201.7 million to a current CHF 245.9 million. This enormous growth is due to the following factors:

- The tubeless mylife™ OmniPod® insulin patch pump demonstrated a growth in patients of 67% during the financial year 2016/17. Over half of this was achieved in the new distribution countries Finland, Denmark and France.
- The mylife™ YpsoPump® was subject to a controlled launch via selected major practices and diabetes centres in the first four countries. Patient growth over the past few months gives confidence for the upcoming market introductions in ten countries during the coming financial year.
- Solid growth was maintained in the subcontracting business for infusion sets to third parties.
- Business with blood glucose monitoring systems increased by around 5% in volume and by 1% in terms of revenue. Despite strong competition and noticeable price pressure, growth lies above the market. This is in the negative single-digit per cent range.

Segment Others: Competitiveness assured with location in Czechia

The Ypsomed subsidiary Ypsotec continues to hold its own in a very difficult market environment with a slightly negative – 2.9% sales growth from CHF 16.2 million to CHF 15.8 million. The Czech production site Tábor continues to grow successfully and has firmly established itself as a competence centre for the milling of precision parts. The location in Eastern Europe enables Ypsotec to offer competitive prices at Swiss quality.

Despite vigorous and diverse growth, the focus on costs remains

The described effects in the three segments led to a consolidated Group turnover of CHF 389.6 million (previous year: CHF 336.9 million) and a growth of 15.6%. During the financial year 2016/17, gross profit increased by CHF 22.3 million, respectively 21.6%, from CHF 103.2 million to now CHF 125.5 million. The gross margin increased within one year by 160 base points to 32.2%. On the production side this is largely due to better utilisation of capacities and an increase in efficiency. In addition, effective dissolutions in guarantee provisions for injection systems of CHF 0.7 million, which had been formed in the 2015/16 annual report, added a positive impact to the results. The gross profit is negatively affected by a special depreciation of CHF 1.8 million for an older assembly plant for pen needles. Compared with the previous year, the gross profit will additionally be negatively affected by the amortisation of the development costs of the mylife™ YpsoPump® since its market introduction in September 2016 (CHF 3.5 million). Compared with the previous year, the marketing costs have increased slightly disproportionately to the turnover. Relative to turnover, the costs have increased by 20 base points and now amount to 14.0% (previous year 13.8%). In particular, the founding of new subsidiaries in Czechia and Australia with the setting up and expansion of the internal and external sales force is reflected here. Furthermore, the various launch activities for the mylife™ YpsoPump®, for example demonstration pumps, marketing materials and product accessories, required justified additional expenditure. Launching products on the European market is particularly demanding as product communication needs to be adapted and verified new for every country due to the number of languages and the many different market conditions with specific requirements. The costs for administration have developed analogue to the Group's growth. The additional costs of CHF 2.4 million reflect the additional administrative effort required for the ongoing business. Due to a consistent focus on costs, Ypsomed was able to increase operating income above average to turnover by 24.5%. The new EBIT amounts to CHF 55.3 million (previous year: CHF 44.4 million) at a one per cent higher EBIT margin of 14.2% (previous year: CHF 13.2%).

Net profit margin approximately 12%

The net financial result amounts to CHF 0.1 million (previous year: CHF – 1.2 Million). The main effects are due to the loss in currency exchange of CHF 1.9 million on the one hand, as well as gains of CHF 2.2 Million from the dissolution of value adjustments on the holdings in Bionime, resulting from the development of the share prices. The tax burden on profits before taxes was reduced from 17.1% in the previous year to 16.5%. This effect is mainly due to different levels in profits in the companies as a result of being subject to differing taxation levels. Thus, the net profit for the financial year 2016/17 amounts to a total of CHF 46.2 million. Compared to the previous year at CHF 35.8 million, this represents an increase of 29.1%. The earnings per share amount to CHF 3.67 (previous year: CHF 2.84).

Focus of activities in the financial year 2017/18

Based on the results of the past financial year as well as the trends in the two business fields, Ypsomed will focus on the following operational fields of activity in the new financial year:

- In the Ypsomed Diabetes Care area the efforts in the insulin pump business will be strengthened and new markets will be opened up through own subsidiaries with the mylife™ YpsoPump® and the corresponding system components.
- The platforms for pens and autoinjectors will be tuned even finer to the market trends in order to meet the new challenges of our existing and potential customers even better.
- On a cross-divisional basis, the digitisation and connectivity of the products is to be expanded further and integrated into the portfolio, in order to make handling even simpler and safer for our customers.
- One of the objectives during the upcoming financial year will be to secure the distribution agreement for the mylife™ OmniPod® with its manufacturer, Insulet Corporation, which will expire in June 2018, for the next few years. Contract negotiations are ongoing and we are confident of coming to an agreement in the current financial year.

- The construction of the new site in Schwerin will increase capacities considerably from 2019 onwards in order to meet future orders. Expansion is also progressing in Switzerland. At headquarters, Ypsomed will be doubling the tool making capacity and the laboratory, as well as building a new office wing for some further 80 workplaces.
- In Solothurn, production is preparing for the installation of the second UnoPen® plant and the assembly line for the Orbit® infusion sets in the clean room.

The endeavours over the next twelve months are very tasking. Further elements which also affect profitability include:

- The competitive situation in the market for insulin pumps is extremely dynamic. Ypsomed will utilise these opportunities for increased investment into market penetration, geographic expansion and the further development of the insulin pump, which will have an impact on the financial year.
- At the same time, the project business with injection systems is running at record levels. However, Ypsomed cannot influence the market launch or the duration of the clinical studies and approval phases. Therefore, Ypsomed will experience less pronounced growth in the area of commercial pen deliveries in the coming year, however, the project tasks continue to increase.
- Due to the EUR and USD development, compared with the average exchange rates for the financial year 2016/17, a currency loss in single digit millions is anticipated.

Ypsomed is optimistic and full of confidence for the coming months: after a successful financial year 2016/17, a growth of approximately 15% at the turnover level is expected for the financial year 2017/18. At the EBIT level, the same or a slightly higher result as in the past year is planned.

For further information, please contact Benjamin Overney, Head of Investor & Public Relations at Ypsomed Holding AG, at the telephone number +41 34 424 41 59 or by e-mail (benjamin.overney@ypsomed.com). This media release, the Annual Report 2016/17, as well as further documents in electronic form can be found at www.ypsomed.ch (under Media & Investors).